COMPANY UPDATE

Alpha IVF (ALPHA MK)

Scaling Regionally With Proven Execution

Alpha IVF is set to expand its established footprint into neighbouring countries, targeting underserved markets and niche segments. This regional growth, coupled with expansion off a low base, underpins our forecast of a robust three-year earnings CAGR of 29.0% (FY25-28F). The recent rollout of new facilities offers just a glimpse of what lies ahead, reflecting the group's strong execution capabilities. Maintain BUY with a target price of RM0.35.

WHAT'S NEW

- **China rollout already paying off.** The marketing offices established in China in Sep 24 and Jan 25 have played a pivotal role in driving the surge in foreign inpatients from the region. Patient contributions from China nearly tripled in FY25, growing by 173% yoy and accounting for 20% of total group revenue. This remarkable performance was not coincidental but the result of a well-executed strategy. Key factors include strategic collaborations with multiple hospitals and a direct-to-consumer (B2C) approach through various social media platforms - initiatives made possible only through a physical presence in China. We gather that Alpha IVF targets to grow contributions from Chinese patients by at least another 30% yoy in FY26.

- **Hitting the ground running with its new facilities.** Alpha IVF's latest facility, Al-haya which commenced operations in Apr 24, has been profitable in the first full year of operations (FY25), contributing RM2m to the bottom line with a net profit margin of around 20% and have replicated group clinical success rates. Notably, Al-Haya broke even in its first month, mirroring the swift performance of Alpha Singapore, and underscoring the group's proven ability to replicate its success across regions, including future expansions in the Philippines and Indonesia. The group's capex-light model, coupled with high revenue intensity (over RM50,000 per oocyte pick-up) and the onboarding of reputable IVF specialists with existing patient bases backed by Alpha IVF's region leading labs support the accelerated ramp-up of new centres and minimises execution risk.

- **IVF for every Juan.** New Roots Alpha IVF is due to establish two IVF facilities in the Philippines in FY26 as well – one each in Quezon City, Metro Manila and Tuguegarao, Northern Luzon. Operations are due to commence in 2QFY26 and 4QFY26 respectively. Both regions have a catchment area of an estimated 20m and 23m respectively, but are currently served by a few inferior IVF establishments. Alpha IVF has already secured at least three IVF specialists for each facility. While we anticipate both centres to achieve breakeven within the first few months of operation, our projections conservatively assume breakeven within the first year.

KEY FINANCIALS

Year to 31 May (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	168	177	224	300	380
EBITDA	77	80	105	141	182
Operating profit	70	71	93	127	167
Net profit (rep./act.)	55	57	70	94	123
Net profit (adj.)	55	57	70	94	123
EPS (sen)	1.1	1.2	1.4	1.9	2.5
PE (x)	24.4	23.3	19.2	14.3	10.9
P/B (x)	7.1	6.7	6.1	5.4	4.7
EV/EBITDA (x)	15.6	15.1	11.6	8.7	6.7
Dividend yield (%)	1.6	3.6	3.6	4.9	6.3
Net margin (%)	32.7	32.5	31.1	31.3	32.4
Net debt/(cash) to equity (%)	(77.1)	(78.7)	(60.5)	(69.9)	(79.0)
Interest cover (x)	95.5	73.9	212.6	n.a.	n.a.
ROE (%)	45.9	29.8	33.4	40.2	46.4
Consensus net profit	-	-	71.0	95.0	123.0
UOBKH/Consensus (x)	-	-	0.98	0.98	1.00

Source: Alpha IVF, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.29
Target Price	RM0.35
Upside	+20.7%

COMPANY DESCRIPTION

Renowned fertility centres in the ASEAN region, set up and operated by leading doctors and embryologists responsible for numerous fertility achievements both in the region and worldwide.

STOCK DATA

GICS sector	Health Care
Bloomberg ticker:	ALPHA MK
Shares issued (m):	4,860.0
Market cap (RMm):	1,336.5
Market cap (US$m):	316.2
3-mth avg daily t'over (US$m):	0.1

Price Performance (%)

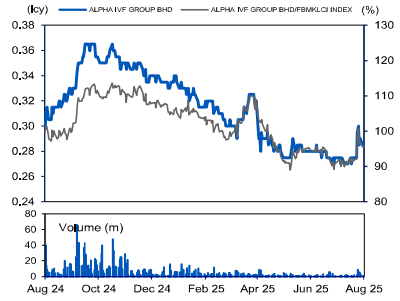
52-week high/low RM0.375/RM0.295

1mth	3mth	6mth	1yr	YTD
0.0	(3.5)	(15.4)	(14.1)	(19.1)

Major Shareholders	%
Dato' Dr. Lee Soon Soo	43.2
Lee Soon Ai	8.9
Ng Peng Wah	8.3

FY26 NAV/Share (RM)	0.05
FY26 Net Cash/Share (RM)	0.02

PRICE CHART



Source: Bloomberg

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- **Spreading wings to Sabah and Johor.** Malaysia is due to see two new IVF facilities in Sabah and Johor as well, which complement Alpha IVF's presence in Penang, and another two in Kuala Lumpur and Singapore. Beyond opening access to new catchment areas, these locations are also aligned with the group's strategy of attracting foreign inpatients. The Johor and Sabah centres are slated to commence operations in 2QFY26 and 4QFY26, respectively.

- **Strengthening presence in Indonesia.** Indonesia has seen the addition of two satellite clinics over the past three months, both of which have reportedly achieved breakeven. The expansion continues, with two more satellite clinics scheduled to launch by end-26. Unlike full-fledged IVF centres, these satellite clinics serve as front-end hubs for patient referrals to Alpha IVF's main centres in Kuala Lumpur and Penang, and also support follow-up treatments. Additionally, Indonesia's first IVF facility under the group will be established in Sanur, Bali, and is expected to commence operations in early-27.

STOCK IMPACT

- **Multitude of growth engines.** The next few quarters should continue to see an influx of growth on the back of: a) increased patient volume from China following the establishment of sales representative offices in Shanghai and Guangzhou that have driven a record number of patients to Alpha IVF, b) the gestation of two satellite clinics in Jakarta, Indonesia, followed by two additional satellite clinics across Indonesia, c) the launch of four IVF facilities across Philippines (Metro Manila and Northern Luzon) and Malaysia (Sabah and Johor) and d) Bali, Indonesia in early FY27. These upcoming facilities will significantly expand the group's footprint, building on a low base of just four existing IVF centres.

- **Robust balance sheet and decent yield.** The lion's share of Alpha IVF's IPO proceeds that were raised in Mar 24 went into building up its cash warchest that now stands at RM155m. This is more than sufficient to fund its relatively capex-intensive activities FY26-27, with the company projected to remain in a net cash position across our forecasted years. Given its sizeable cash position and record gestation period for its facilities, Alpha IVF has raised its FY25 dividend payout to 85%, well above its dividend policy of a minimum 60% of its net profit. To be conservative, we have assumed a 70% payout for FY26-28, which implies a decent yield of 3.6-6.3%.

EARNINGS REVISION/RISK

- **No changes to earnings.** Key downside risks are the execution of new facilities, reputation risk, and key personnel concentration risk.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of RM0.35.** We like Alpha IVF for its attractive growth prospects, leading clinical success rates in the region, superior profit margins, and ongoing international expansion. While it deserves a valuation premium over peers, we acknowledge that a successful track record in its overseas ventures is key before any re-rating. Our target price is based on a PE peg of 20x, in line with its peers, to 2026. Successful execution of its regional operations could prompt us to raise our valuations to reflect the improved earnings visibility.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

• **Environmental**
- **Energy efficiency.** Implements energy-efficient equipment and practices to reduce energy consumption within the centres.
- **Waste management.** Implements responsible waste management including proper disposal of medical waste and recycling initiatives.
• **Social**
- **Ethical practices.** Adheres to ethical and transparent practices in patient interactions, including informed consent, privacy protection and responsible handling of genetic information.
- **Diversity & inclusion.** Fosters a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity.
• **Governance**
- **Board oversight.** Ensures the board of directors or governing body provides effective oversight of the IVF centres' operations, including ESG strategies and performance.

KEY ASSUMPTIONS

	FY26F	FY27F	FY28F
Revenue (RMm)	**223.7**	**299.7**	**379.7**
Growth yoy (%)	26.5	34.0	26.7
Number of OPU			
Existing Centre OPU	3290	3446	3610
Growth yoy (%)	4.8	4.8	4.8
New Centres OPU	850	2300	3700
Growth yoy (%)	467	171	61
Total OPU	4140	5746	7310
Growth yoy (%)	25.8	38.8	27.2
Blended Revenue per OPU (RM'000)	**50.6**	**48.8**	**48.6**
Growth yoy (%)	-1.8	-3.5	-0.4

Source: UOB Kay Hian

GROWTH AND MARGIN OUTLOOK

	FY26F	FY27F	FY28F
Revenue (RMm)	**223.7**	**299.7**	**379.7**
Growth yoy (%)	26.5	34.0	26.7
EBITDA (RMm)	**111.0**	**147.1**	**188.3**
Growth yoy (%)	28.3	32.5	28.0
Core PATAMI (RMm)	**69.6**	**92.7**	**122.9**
Growth yoy (%)	21.1	33.2	30.5
EBITDA Margin (%)			
Core PATAMI Margin (%)	46.6	46.7	49.6

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Net turnover	**176.8**	**223.7**	**299.7**	**379.7**
EBITDA	80.1	104.6	140.6	181.8
Deprec. & amort.	9.3	11.4	13.9	14.4
EBIT	70.8	93.2	126.7	167.5
Total other non-operating income	6.4	6.4	6.4	6.4
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(1.1)	(0.5)	0.5	1.5
Pre-tax profit	**76.1**	**99.1**	**133.7**	**175.4**
Tax	(17.6)	(22.9)	(30.6)	(40.0)
Minorities	(1.1)	(6.7)	(9.4)	(12.4)
Net profit	57.5	69.6	93.7	122.9
Net profit (adj.)	**57.5**	**69.6**	**93.7**	**122.9**

BALANCE SHEET

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Fixed assets	36.2	100.1	93.2	86.9
Other LT assets	41.2	41.2	41.2	41.2
Cash/ST investment	155.9	136.8	176.9	227.9
Other current assets	17.5	10.8	14.5	18.4
Total assets	**250.8**	**289.0**	**325.9**	**374.4**
ST debt	0.0	1.3	1.3	1.3
Other current liabilities	23.8	41.0	42.1	43.2
LT debt	0.0	3.0	3.0	3.0
Other LT liabilities	22.9	11.9	10.5	9.2
Shareholders' equity	198.0	218.9	246.7	283.0
Minority interest	6.1	12.8	22.2	34.6
Total liabilities & equity	**250.8**	**289.0**	**325.9**	**374.4**

CASH FLOW

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Operating	**54.9**	**75.1**	**102.3**	**132.3**
Pre-tax profit	76.1	99.1	133.7	175.4
Tax	(17.6)	(22.9)	(30.6)	(40.0)
Deprec. & amort.	9.3	11.4	13.9	14.4
Associates	0.0	0.0	0.0	0.0
Working capital changes	(5.4)	(5.4)	(2.4)	(2.6)
Other operating cashflows	(7.5)	(7.1)	(12.3)	(14.8)
Investing	**(1.7)**	**(47.5)**	**4.8**	**5.3**
Capex (growth)	(7.3)	(55.0)	(7.0)	(8.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	5.6	7.5	11.8	13.3
Financing	**(47.4)**	**(46.7)**	**(67.0)**	**(86.6)**
Dividend payments	(46.2)	(48.7)	(64.9)	(84.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	3.0	0.0	0.0
Others/interest paid	(1.2)	(1.1)	(2.1)	(1.9)
Net cash inflow (outflow)	5.8	(19.1)	40.1	51.0
Beginning cash & cash equivalent	151.3	155.9	136.8	176.9
Changes due to forex impact	(1.3)	0.0	0.0	0.0
Ending cash & cash equivalent	**155.9**	**136.8**	**176.9**	**227.9**

KEY METRICS

Year to 31 May (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	45.3	46.7	46.9	47.9
Pre-tax margin	43.1	44.3	44.6	46.2
Net margin	32.5	31.1	31.3	32.4
ROA	24.0	25.8	30.5	35.1
ROE	29.8	33.4	40.2	46.4
Growth				
Turnover	5.5	26.5	34.0	26.7
EBITDA	3.4	30.5	34.5	29.3
Pre-tax profit	3.0	30.2	34.8	31.2
Net profit	4.8	21.1	34.6	31.3
Net profit (adj.)	4.8	21.1	34.6	31.3
EPS	4.8	21.1	34.6	31.3
Leverage				
Debt to total capital	0.0	1.8	1.6	1.4
Debt to equity	0.0	2.0	1.8	1.5
Net debt/(cash) to equity	(78.7)	(60.5)	(69.9)	(79.0)
Interest cover (x)	73.9	212.6	n.a.	n.a.

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